Seattle
Office of Housing

Memo

Deliberative Draft

Date: December 9, 2024

To: Maiko Winkler-Chin, Director of the Office of Housing

From: Rosey Zhou, Interim Capital Investments Director

Subject: ACLT/SRI – Benu Community Home

Africatown Community Land Trust (ACLT) and Shelter Resources Inc. (SRI) are requesting $26,923,794 in permanent financing from the Office of Housing to develop the Benu Project (formerly Keiro), a 190-unit workforce project.

After reviewing the Benu Project 2024 NOFA application, OH recommends not funding this project for the following reasons:

- **2024 NOFA PRIORITES.** The proposed project does not meet the Readiness NOFA Priority.
- **DEVELOPMENT TEAM AND EXEPERIENCE.** The proposed project does not meet the Development Team and Experience competitive criteria.
- **FINANCING AND AFFORDABILITY.** The proposed project's operating budget, rent, and restriction assumptions do not sufficiently demonstrate feasibility, as compared to other competitive projects this funding round.

The following is detailed documentation of our analysis of the application for NOFA priorities and competitive criteria.

Project Description:
ACLT/SRI plan to construct two interconnected buildings (one with 5 stories and 1 with 4 above grade and 2 below) in the Central District along the main Yesler corridor. The project will be for low wage families and individuals with an area median income of 60%, with a proposed option that would include units affordable to individuals and families at 30% and 50% of AMI as well.

Located on Yesler Way, adjacent to the Langston Hughes Performing Arts Center, the proposed project will replace the existing building that formerly served as a nursing and retirement home for elders of the Japanese American community. ACLT purchased the property in 2021, in part funded by a $5.8 million OH bridge loan. Since acquisition, ACLT has operated the site as an interim homeless shelter while working to transform it to provide sustainable, permanent housing. Following Liberty Bank Building and Africatown Plaza, this project is the third major mixed-use real estate development undertaken by ACLT to fight gentrification in the Central District community.

Proposed Unit Mix and Affordability

	City-funded Units								
Affordable at	30%	40%	50%	60%	Mgr	60%	80%	>80%	Total
Studio				28					28
1 Bedroom				93	1				94
2 Bedroom				42					42
3 Bedroom				26					26
Total				189	1				190

Please note that in response to requests by OH, ACLT/SRI provided an alternative income mix that included 14 studios at 30% AMI and another 14 studios at 50% AMI in lieu of all studio units servings households at 60%. This second proposed option relies on rents on 60% units being maximized and seeks to improve both short-term and long-term operational feasibility while addressing a wider range of affordable housing needs in the community.

2024 NOFA PRIORITIES

Location. The project meets the location priority. The Benu project affirmatively furthers fair housing and advances the City's equitable development goals by creating affordable homes in an area where residents have experienced and/or are at risk of displacement. This neighborhood has a high risk of displacement according to the City's 2022 Displacement Risk Index.

Population. The project meets the population priority. 36% of units are proposed to be 2 and 3-bedrooms.

Readiness. This project does not meet the readiness priority. The Benu project does not demonstrate an implemental development plan at this time. The proposed project requires a Director's Rule and multiple departures. They have not yet begun the permitting process with SDCI.

Leverage. This project meets the leverage priority. The Benu's request for OH funding constitutes 22% of all residential sources.

2024 NOFA COMPETITIVE CRITERIA

PROJECT PLAN

The project supports priorities of the Rental Housing Program. The project's vision, design, and per unit OH funding request affirmatively and cost-effectively furthers fair housing and advances the City's equitable development goals and affordable housing production goals.

DEVELOPMENT TEAM AND EXPERIENCE

The project meets the minimum requirements of approval to participate, organizational financials, and development team composition.

The project does not meet the competitive criteria for development team and experience. ACLT's recent development track record at the Africatown Plaza project included costly avoidable construction delays and trouble maintaining compliance with funder requirements and expectations. That project is currently being closely monitored by its financial partners. Since their prior application, ACLT and SRI have

Commented [KM1]: @Zhou, Rose they applied for their permit 8/24, and SDCI considered application submission complete 11/24. They provided a response about director's discretion (pasted below). It doesn't seem to me like this point regarding readiness of permitting is still relevant, but if it is please help me understand.

Commented [KM1R2]: Per Zoning Status letter submitted, Director's discretion is required to allow departure from land use code standards related to extent of ground level residential use. What is the timing and likelihood of approval? Where are you in this process?
The departure will be part of the building permit review and approvals process. Therefore, progress has started. Permit reviews in Seattle are typically 9-12 months.
May be quicker due to the affordable component.
The likelihood of approval is very strong, as close to a guarantee as can be.
The creation of additional affordable housing units is the criteria for review of this departure and we can prove that we do provide more units via the provision of less non-residential uses. It is currently under review for approval

Commented [ZR1R3]: May be best to remove this. I'm okay changing this to meet the readiness requirement.

developed a clear division of responsibilities through a Joint Developer Agreement. However, OH recommends further monitoring the stabilization and conversion of Africatown Plaza and ACLT's development capacity at this time.

FINANCING AND AFFORDABILITY

The project meets the minimum requirements of affordability and ability to finance. All rental units are affordable to households at, or below, 60% AMI and SRI has demonstrated ability to attract and secure necessary project debt and investor equity.

The project does not meet the competitive criteria for financing and affordability. The project's operating budget, rent, and restriction assumptions have not sufficiently illustrated feasibility, as compared to other competitive projects this funding round. Having all 190 units projected to serve households below 60% AMI poses concerns for timely lease-up and sustainable occupancy given operations budget and recent difficulty experienced by ACLT in filling Africatown Plaza. In response to OH questions, ACLT/SRI presented an alternative budget proposal, that assumes 28 studios serve lower-income residents (30% and 50% AMI) and increases 60%-restricted unit rents to the allowable limits in order to raise per unit per year (PUPY) operating budget assumptions. This secondary option only partially addressed OH's concerns and has not proven the project to be competitive in regard to this criterion.

DEVELOPMENT PROGRAM OUTCOMES

The project meets the competitive criteria for development program outcomes. ACLT established itself as a voice for equitable development in the City of Seattle, and that is supported by their mission and vision for inclusive development. The work of ACLT is directed towards supporting the Black community of Seattle through affordable housing as well as economic development and empowerment. The Benu proposes to use a community preference plan to address displacement, especially of the marginalized African American community in the Central District. Further, the construction plans and estimates prioritize inclusion of Black-owned businesses.

PLANNING AND DESIGN

The project meets the minimum requirements of the planning and design competitive criteria. The project's preliminary design illustrates a clear understanding of the development team's approach and vision.

The project meets the competitive criteria for planning and design. Construction costs are competitive and supported by schedule and design. MEP and FP being proposed as design-build may pose budgetary risks given the complexity of design and that current scope estimates are below market, but this may be offset with contingencies.